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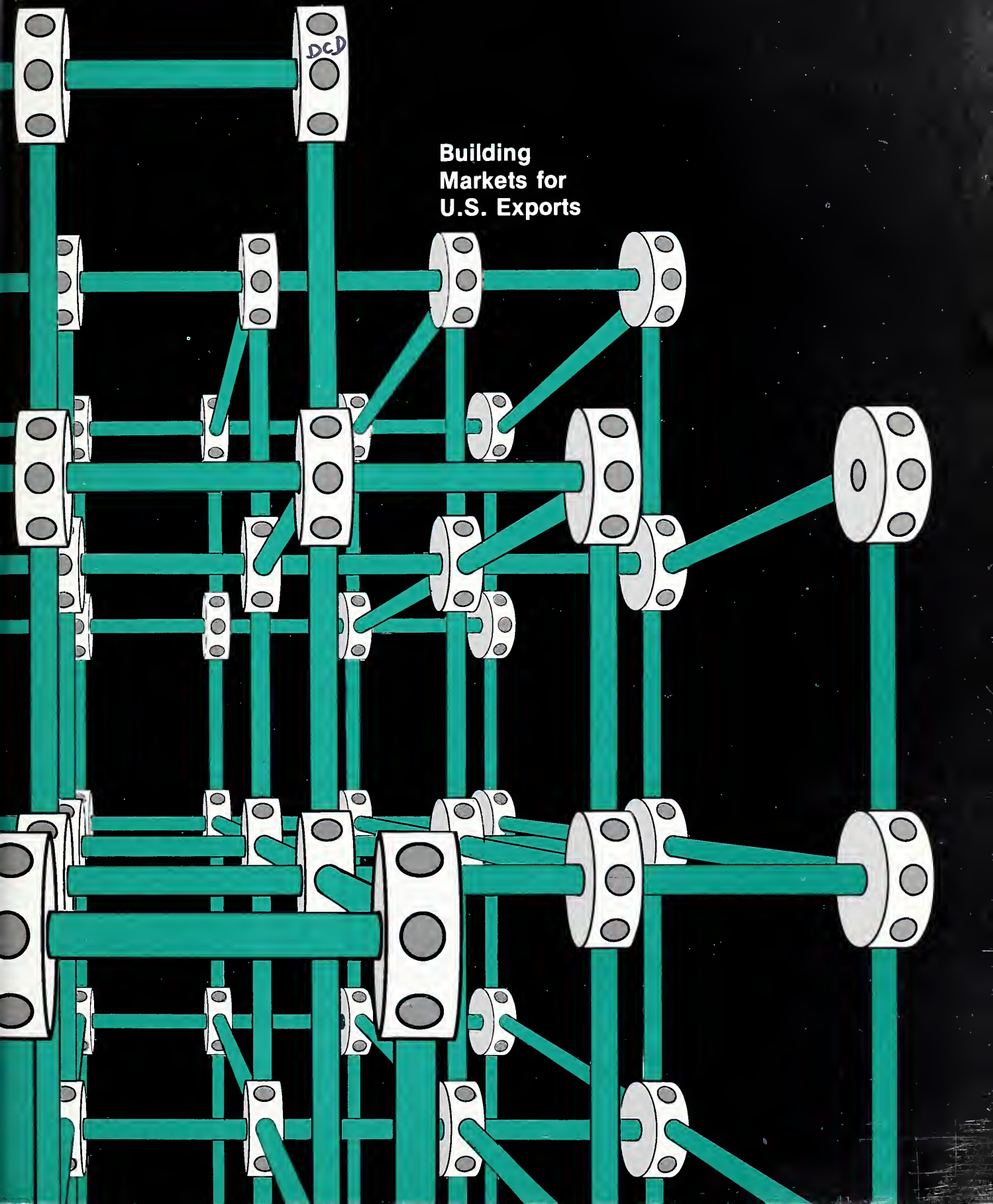

Building Markets for U.S. Exports

Marketing News

Pacific Rim Conference Scheduled for San Francisco

"American Competitiveness in the Pacific Century," will be the theme of **Export Pacific 88,** a conference and exhibition on two-way trade and investment in the Pacific Rim region to be held in San Francisco, April 6-9, 1988. The conference will feature high-level sessions for experienced exporters, as well as intensive training courses for newcomers. The accompanying exhibition will cover the full range of services needed for doing business in the Pacific, including trading companies, U.S. banks, federal, state and municipal agencies, Pacific Rim consulates and trade offices, air and ocean carriers, telecommunications suppliers and freight forwarders.

Attendees of the event will be able to make personal contacts, gaining insight on the latest economic, political and consumer trends in the region, and on opportunities in exporting, investment, joint ventures, licensing and countertrade. Additional information on Export Pacific 88 may be obtained from Meridian Pacific Group, Inc., 116 East Blithedale Avenue, Suite 2, Mill Valley, CA 94941. Tel. (415) 381-2255. Fax: (415) 381-1451. Telex: 358218 PACRIM UD.

Feed Grains Officials Travel to Japan

In an effort to improve access for U.S. feed grains, a high-level team of U.S. feed grain producers headed by **U.S. Feed Grains Council** officials traveled to Japan last summer. The purpose of the trip was to discuss U.S. private sector concerns about barriers to increased imports of feed grains. Representing the U.S. feed grains industry, the team met with Japanese feed grains users, livestock producers, traders and government officials.

In recent years, the U.S. market share for corn, sorghum and barley has declined in Japan. In 1980, Japan imported about 18.6 million metric tons of coarse grains, of which about 85 percent was purchased from the United States. By 1985, Japan's coarse grain export demand had risen to 21.5 million tons, but U.S. exports represented only 56 percent of the market, due to increased competition from China, Argentina and South Africa.

A recent study by the U.S. Feed Grains Council's Tokyo office found five major constraints to feed grain imports that, if eliminated, could increase Japan's annual feed grain imports by about 197 million bushels in three to five years. These were limitations on duty-free imports of industrial-quality whole corn, limits on total national feed milling capacity, restricted access to duty-free corn solely through feed mills, arbitrary formulation rules for mixing feed and an uneconomical system for buying and distributing feed barley.

The report added that such market-opening measures would reduce the cost of feed, which in turn would reduce the cost of meat and dairy products to Japanese consumers. Liberalization would thus benefit Japanese producers and consumers, as well as the U.S. feed grains industry.

Updated Holstein Export Directory Now Available

The **U.S. Holstein Association** has released its 1988 edition of the Holstein Export Directory, which is available to interested importers of dairy genetics. This free directory gives information on the 44 U.S. commercial companies that market U.S. Holstein genetics internationally. It also lists the products and services of each U.S. exporter in an easy-to-read listing.

Most of the companies listed in the Export Directory are members of the National Holstein Association, a dairy breed organization that serves 52,000 members. The Association services the international market by conducting promotional and educational programs and provides technical services to a growing number of importers and U.S. exporters. Individual copies of the 1988 Export Directory are available free from the Holstein Association, International Services Division, 1 Holstein Place, Brattleboro, VT 05301. (Telex: 710-363-1871).

The Magazine for Business Firms Selling U.S. Farm Products Overseas

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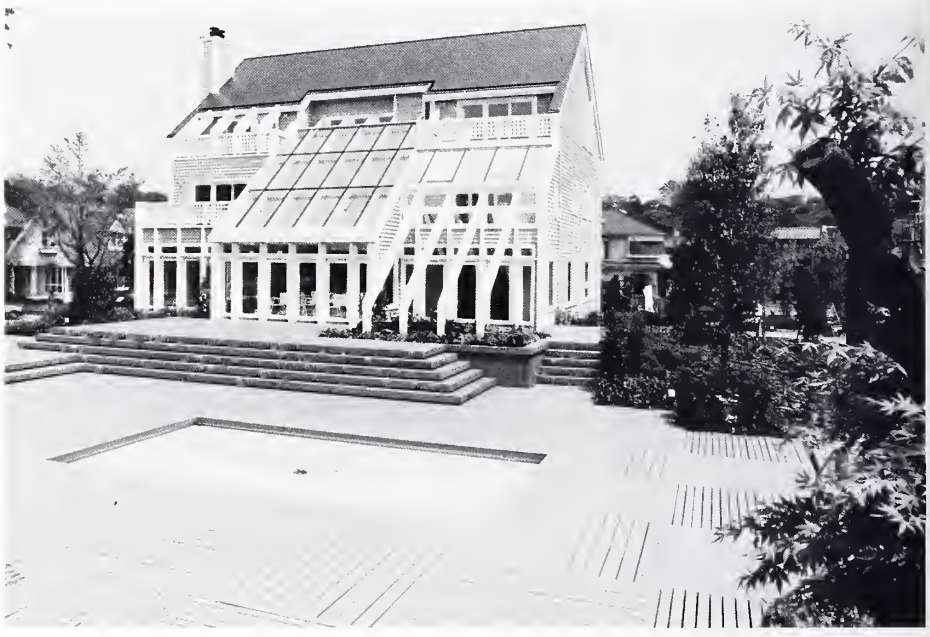
Targeted Export Assistance Program Hits the Mark Overseas



The Targeted Export Assistance (TEA) program, now moving into its third year of operation, has already demonstrated significant payoffs in terms of boosting U.S. farm exports.

The focus of the program, which is slated to expand considerably in 1989, is on industry efforts and a wide range of projects has been launched.

The TEA program uses Commodity Credit Corporation resources to help U.S. producers finance overseas promotion activities for U.S. agricultural products hurt by unfair foreign trade practices.

"With this program we have been able to expand efforts to introduce foreign buyers and consumers to U.S. products, to teach potential customers how to use them and to continue to educate and service markets overseas," said William L. Davis, Foreign Agricultural Service (FAS) Assistant Administrator for Commodity and Marketing Programs.

Government-Industry Effort

The TEA program complements a more than 30-year government commitment to supporting export market development activities through a partnership with the private sector.

"TEA has been accurately described as the star of the farm bill's export programs," Davis said. "It has allowed us to do things that never would have been possible otherwise.

"An extra $110 million a year for market development represented a major infusion of resources in 1986 and TEA funding is slated to jump to $325 million for fiscal years 1989 and 1990," Davis said.

TEA funds can be used for a variety of activities including demonstration projects, in-store promotions, brand identified consumer advertising campaigns and technical assistance. But the TEA program must be targeted at countering or offsetting unfair trade practices. So the TEA program does not apply as widely as the long-established cooperator market development program.

"It will take a continuous search for creative ideas and innovative techniques in market development if we are to beat the competition in a world market loaded with skillful, determined exporters," Davis said. "The TEA program moves us forward in that endeavor."

The program has been immensely popular with the agricultural industry. Recently, $80 million was allocated for fiscal 1988 TEA projects, but there were requests for $206 million. Most of this year's participants have been involved in the program for the last two years.

Cost Sharing a Must

Davis stressed that the TEA program requires cost sharing. "Industry organizations must be prepared to contribute to the effort," Davis said. FAS will hold them to their cost sharing obligation.

"The matching fund aspect is essential. Exporters must make a commitment to building markets that is long-term and continuous if they are to be successful," Davis cautioned.

Those who apply for TEA support must present detailed activity and budget plans to FAS showing how they will use the funding.

Unfair Trade Practices Must Be Documented

To qualify for the TEA program a product must have been hurt by the unfair trade policies of importing or competing nations.

First consideration is given to farm products which have received a favorable decision under Section 301 of the Trade Act of 1974 or to products with exports hurt by retaliatory actions related to a favorable Section 301 decision.

Section 301 covers foreign practices that violate U.S. rights under a trade agreement, such as the GATT, or those which unjustifiably restrict U.S. commerce. Section 301 cases usually involve foreign practices which affect U.S. exports into a third-country market.

"It is only after the claim of an unfair trade practice is documented as valid by FAS trade policy analysts, that we can seriously look at the application for funds and the marketing plan," Davis explained.

"We've had some exceptional success stories with this program," Davis said.
(See related story on page 6.)

"In some cases, particularly branded promotions, judging a TEA initiative can be relatively clear cut. You can look at sales figures before the TEA promotion and after and see a definite jump. In other cases, such as generic campaigns, we have to take a hard look at incremental changes in order to evaluate the project," said Davis.

"Market development takes time and we need to look at interim steps as well as sales to measure success. Evaluation is a function of the type of promotional activities underway."

"Basically, we are trying to make sure that the TEA program is boosting exports, that it is being managed properly and that the private sector is responding," Davis said.

Market Development Opportunities Expanded

The TEA program has enabled FAS to branch out in its market development activities. For example, in the agency's traditional market development efforts, there had been a bias toward projects in developing countries and toward bulk commodities, according to Davis.

"The TEA program has given us a real opportunity. Now we don't have to make the same kind of 'either-or' choice between bulk commodities to developing countries and high-value products to developed nations — between quick-turnaround efforts and long-term development needs," Davis explained.

About 80 percent of the TEA funding has been for high-value product promotion. Emphasis will continue on high-value products. But TEA efforts on bulk commodities in developing countries will grow and, together with the cooperator program which emphasizes this approach, represent an important commitment by the U.S. private sector and USDA.

In the future, FAS plans to announce new fiscal year TEA funding in June so that exporters can get their advertising and marketing plans into place by the beginning of the fiscal year. ■

How the TEA Program Works

Under the TEA program, surplus stocks from the Commodity Credit Corporation (CCC) are used to partially reimburse agricultural organizations conducting certain types of foreign market development projects.

Proposals for TEA programs are developed both by USDA and by trade organizations and private firms. There are two types of TEA programs: a generic promotional program operated with nonprofit agricultural associations and regional/state export promotion organizations, and an Export Incentive Program in which private U.S. firms promote brand identified or high-value products.

After a program has been approved and announced by USDA, participating organizations or firms sign a program agreement with the CCC. The TEA participants then submit an activity plan to FAS describing specific activities and proposed budgets, which are reimbursable with CCC certificates. These certificates can be redeemed for commodities from the CCC inventory or sold.

Organizations may request an advance of CCC generic commodity certificates up to 40 percent of the dollar amount approved by FAS in their activity plan. No further certificates are issued until the organization submits expense claims sufficient to offset the original advance.

After that, certificates are issued on a reimbursement basis up to the dollar limit in the activity plan budget.

Where To Get Information

To submit a TEA program proposal, to obtain more information or to find out the status of programs under consideration, contact the Marketing Program Staff, Room 4932-S, Foreign Agricultural Service, U.S. Department of Agriculture, Washington, D.C. 20250-1000. Tel. (202) 382-9166.

TEA Program Encourages Creative Marketing

From the American Plywood Association to the Wine Institute, U.S. commodity organizations are busily — and creatively — promoting their products overseas. These efforts are getting an extra boost from the Targeted Export Assistance (TEA) program, now entering its third fiscal year. (See related article on page 4.) The projects financed by the program show the range of U.S. agricultural products as well as the creativity of their marketers. A description of some ongoing TEA projects and their successes follows.

American Plywood Association and Hardwood Export Trade Council

The American Plywood Association and the Hardwood Export Trade Council are working cooperatively on building projects in Argentina, Japan and the United Kingdom.

Argentina is a promising market for U.S. manufactured forest products because of the country's plan to move the national capital from Buenos Aires to Viedma. U.S. industry groups estimate that Argentina will need to build 80,000 new houses in Viedma over a 9-year period (1987/96). In addition, the Argentine government plans to build 300,000 houses elsewhere to remedy a severe housing shortage.

To illustrate the qualities of U.S. wood products to the Argentines, the U.S. groups are building a demonstration housing project. In addition, the Association plans technical seminars on the use of wood products and wood framing techniques.

In Japan, which is the largest potential market in Asia for U.S. hardwoods, the groups are spotlighting the Summit House in Tokyo. The model house was built in 1986 to introduce modern U.S. building products and systems to Japan.

For the next stage of this TEA project, the house will be redecorated using U.S. decorative hardwoods in cabinets, doors and furniture. Seminars will be held in the house for architects, designers and furniture manufacturers to illustrate the characteristics of U.S hardwood.

The United Kingdom represents one area in Europe where the U.S. wood products industry has little market penetration.

Here TEA plans call for the building of a "Quality Home Lane" which will showcase several timber-frame home designs. These homes will feature the latest in timber frame technology.

According to the U.S. associations, the units will demonstrate how U.K. builders can reduce building costs and increase the use of wood by adopting modern wood construction systems. U.S. hardwoods will be used in doors, stairs, paneling and kitchen cabinets. After completion, the homes will be the site of technical seminars.

U.S. Feed Grains Council, American Soybean Association and the Holstein-Friesian Association.

The U.S. Feed Grants Council, American Soybean Association and the Holstein-Friesian Association are cooperating on a unique project to help Algeria develop its dairy, livestock and poultry sectors. Research shows that Algeria has one of the world's highest population growth rates and a growing economy based on petroleum and natural gas resources.

However, Algeria's proximity to Europe and its traditional ties have meant that the European Community has dominated the Algerian feed grains and animal product markets. A significant portion of Algeria's animal product consumption, particularly dairy products, is imported, with little coming from the United States.

To help get U.S products into the market, the three trade associations are designing and building one model facility each for dairy, beef, sheep, broiler and egg production. When complete, the groups will sponsor training programs to improve Algerian skills in animal production and nutrition.

The goal of this TEA program is to help Algeria become a major market for U.S. feedstuffs by 1995. Algeria also may become a market for U.S. breeding stock and semen.

Western United States Agricultural Trade Association (WUSATA)

The TEA project developed by WUSATA promotes high-value products produced in the western United States. The group is undertaking several projects in Pacific Rim countries, including an investigation of processed food retail packaging in Japan and a promotion of fresh vegetables in Hong Kong and Singapore.

WUSATA also is conducting in-store promotions in Japan, Singapore, Malaysia, Hong Kong, the United Kingdom and West Germany. Rocky Mountain foods are being promoted in Europe.

U.S.A. Poultry and Egg Export Council

The U.S.A. Poultry and Egg Export Council has targeted the Pacific Rim and the Middle East for promotional activities. In Japan, Hong Kong, Singapore, Korea and Macau, the group is sponsoring private label and generic promotion activities for poultry meat, eggs and egg products.

In Bahrain, Egypt, Iraq, Jordan, Kuwait, North Yemen, Saudi Arabia and the United Arab Emirates, the group developed the U.S. Poultry Nutrition and Cooking Center to explain the attributes of U.S. poultry and egg products to consumers.

The center relies on home economists and nutritionists who travel throughout the Middle East demonstrating product preparation and cooking.

California Cling Peach Advisory Board

One of the most successful TEA efforts has been the promotion of canned cling peaches and fruit cocktail. In-store promotions and television commercials featuring the versatility of these products were used to reach consumers. The program, launched in spring of 1986 by the California Cling Peach Advisory Board, produced immediate results.

Exports of cling peaches to Japan in May 1986, the last month of the marketing year, exceeded exports for the entire previous season and pushed the 12-month total for Japan 176 percent above the previous year to a value of $5.1 million. Fruit cocktail exports also surged and finished with a 54-percent gain.

Exports to Taiwan also registered gains of 7 percent for canned peaches and 140 percent for fruit cocktail. The net result was a gain of $4.5 million over the previous year for these two countries.

The fiscal 1987 TEA program built on these past successes in Japan and Taiwan and expanded to Hong Kong, Singapore, Malaysia and Saudi Arabia. The program

involved working with importers and retailers on advertising and promotion in newspapers and magazines.

Leather Industries of America

The TEA project developed by the Leather Industries of America is focusing on Italy as one of the major markets. The Italian leather industry is the world's largest, with more than 3,000 tanning-related businesses employing 36,000 people. After a decline in sales of European leather products, Italy is achieving success in the casual footwear market, particularly with the natural, oil-tanned, hand-sewn look.

The U.S. leather industry looks to these products as the key to success. A market evaluation found that lack of awareness of U.S. leather products in Italy was a major constraint in penetrating that market.

To increase awareness, the U.S. leather industry is undertaking an extensive promotion program. This TEA project will focus on market analysis of key trade and fashion influences, advertising in Italy's trade and fashion publications, trade missions and an exhibit at one of the largest leather trade shows in Europe. A similar approach has been planned for Korea, India, Taiwan and Japan.

Wine Institute

The U.S. wine industry, like the leather industry, has found the lack of product awareness by foreign buyers to be the major stumbling block to increasing exports. In Japan, for example, surveys showed that consumers believe the best wines come from France.

In addition, in all the countries targeted in this TEA project — Japan, the United Kingdom, Hong Kong and Denmark — trade barriers such as tariffs and duties make it difficult for U.S. wines to penetrate the markets.

The goal of this TEA program is to increase awareness of U.S. wines with consumers and wine traders. The theme of the promotion effort is "California Wine: Sunshine in a Glass." TEA funds are financing advertising, wine tastings and promotions with leading hotels and restaurants, as well as trade shows and educational seminars. ■

Variety of U.S. Products Targeted for Promotion in 1988

Below are USDA's Targeted Export Assistance program announcements for fiscal 1988. Additional TEA allocations may be announced later.

Participant	Amount ($ Million)
Alaska Seafood Marketing Institute	0.70
American Plywood Association	1.20
American Soybean Association	8.50
California Avocado Commission	0.45
California Cling Peach Advisory Board	5.70
California Kiwifruit Commission	0.50
California Prune Board	4.50
California Raisin Advisory Board	9.80
California Table Grape Commission	0.75
Catfish Farmers of America	0.05
Chocolate Manufacturers Association of the USA	2.50
Cotton Council International	1.45
Eastern United States Agricultural & Food Export Council	1.10
Export Incentive Program (Almonds)	6.00
Export Incentive Program (Processed corn)	1.50
Export Incentive Program (California-Arizona citrus)	10.50
Leather Industries of America	1.50
Mid-America International Agri-Trade Council	1.10
National Council of Farmer Cooperatives	0.35
National Dry Bean Council	0.30
National Peanut Council	0.50
National Potato Promotion Board	2.40
Northwest Horticultural Council (Apples)	2.00
Northwest Horticultural Council (Cherries)	0.45
Northwest Horticultural Council (Pears)	0.40
Southern United States Trade Association	1.10
Tobacco Associates	0.40
U.S. Feed Grains Council	0.80
U.S. Meat Export Federation	1.00
U.S.A. Poultry & Egg Export Council	1.00
U.S. Wheat Associates	0.60
Walnut Marketing Board	6.50
Western United States Agricultural Trade Association	1.40
Wine Institute	3.00

Nine U.S. Laboratories Now Testing Exports to Japan

By Suzanne Hale

Nine U.S. laboratories have now been approved to test U.S foods and beverages for export to Japan. The testing, done on behalf of the Japanese Ministry of Health and Welfare (MHW), helps open the door wider for U.S. agricultural exports to this lucrative Far Eastern market.

The use of a ministry-approved laboratory in the United States generally expedites customs clearance at dockside in Japan and reduces import costs for the U.S. exporter because testing products after they arrive in Japan is more expensive.

Also, having the product tested at an approved laboratory in the United States prior to shipment significantly reduces the chances of the cargo being rejected on arrival in Japan because of the differences between U.S. and Japanese test results.

Under the new food certification program, the Japanese ministry has agreed to accept the analysis of the U.S. laboratory for processed food products whose results do not change during storage and shipment. In this case, the U.S. exports do not need retesting by ministry inspectors on arrival in Japan. (See *Foreign Agriculture,* April 1987).

Products That Need Testing in Japan

The Japanese ministry will not accept U.S. test results for products whose properties change en route to their Japanese destination. Thus, tests for bacteria and other microorganisms, including aflatoxin amd mycotoxin, must be done in Japan.

In some cases U.S. laboratories can test for agricultural chemicals under this program. But testing for residues of agricultural chemicals — including pesticides used on fresh fruits and vegetables — is not permitted if the tests are for chemicals that could be used to fumigate products in transit or upon arrival in Japan.

Major Acceptable Categories

Food certification data at U.S. laboratories acceptable by the Japanese health ministry fall into the following major categories: food additives and preservatives, trace elements, some agricultural chemicals and antibiotic residues and other synthetic antibacterial agents in food products, particularly meats and meat products.

The testing program is operated by the Ministry of Health and Welfare and only applies to tests related to Japan's food sanitation regulations.

There are cases in which food products tested by an approved U.S. laboratory may need to be retested on arrival by another Japanese governmental agency other than the health ministry. For example, gas pressure of imported wine may be tested by the Ministry of Finance in order to determine the proper tariff classification.

More than 500 laboratories worldwide have been approved by the health ministry's program, but thus far only a few have been approved in the United States.

List of Approved U.S. Laboratories

Barton Brands Ltd.
Barton Road
Bardstown, KY 40004

Bolin Laboratories, Inc.
17631 North 25th Street
Phoenix, AR 85023

Heublein, Inc.
330 New Park Avenue
Hartford, CT 06101

National Distillers & Chemical Corp.
120 Section Road
Cincinnati, OH 45216

Oregon Department of Agriculture
Laboratory Services Division
635 Capitol Street NE
Salem, OR 97310-0110

Joseph E. Seagram & Sons, Inc.
Research and Development Dept.
7th Street Road
Louisville, KY 40208

Schenley Distillers, Inc.
Mary Street
Lawrenceburg, IN 47025

U.S. Industrial Chemicals Co.
P.O. Box 218
Tuscola, IL 61953

Whitbread North America, Inc.
One Hollow Lane
Lake Success, NY 11042 ■

The author is U.S. agricultural trade officer in Tokyo.

High-Value Exports: Bright Spot In U.S. Export Picture

By Peter Burr

U.S. exports of high-value products in recent years have accounted for an increasingly large share of U.S. agricultural trade. In calendar 1976, these exports accounted for just over one-fourth of the nation's agricultural export earnings. By 1986, that share had risen to two-fifths and it is expected to reach about one-half this year.

The significance of high-value farm exports goes beyond trade tabulations. Every dollar of U.S. high-value agricultural exports generates about $1.68 worth of U.S. business activity, compared to a $1.13 figure for bulk products.

The added economic punch of high-value products stems primarily from the specialized nature of many of these products. In 1986, about $19.5 billion worth of business activity was generated in addition to the $11.6 billion in actual exports.

In addition, about half a million jobs, ranging from food processing to transportation, result from high-value exports.

U.S. exports of high-value agricultural products logged a 10-percent gain in 1986, and stood 75 percent higher than the level recorded in 1976. After peaking in 1981, high-value exports slipped slightly, but they are now on an upward track again.

What Are High-Value Products?

High-value products are defined as commodities which are processed to consumer readiness or products which have high unit values, such as fresh fruits and vegetables.

High-value exports include all agricultural products other than wheat and coarse grains, rice, soybeans, peanuts, other unprocessed oilseeds, cotton and tobacco.

The leading export markets for U.S. high-value products in 1986 were the European Community (EC), Japan, Canada, Mexico, Korea, Hong Kong, Saudi Arabia, Taiwan, Egypt and Venezuela.

Collectively, these 10 markets accounted for 87 percent of total U.S. high-value exports.

Of these top 10 markets, Korea registered the largest percentage gain, expanding 48 percent over the 1985 level. Taiwan also showed substantial increases, buying nearly one-third more than the preceding year.

The EC was the No. 1 market, with exports totaling $3.0 billion in 1986, up nearly 11 percent from the previous year. Within the Community, the Netherlands ($1.2 billion) was the top market, followed by West Germany ($538 million) and Belgium/Luxembourg ($518 million).

Although the EC ranks as the top high-value market, the Pacific Rim region offers good sales opportunities for U.S. exporters. Together, the Pacific Rim markets bought $4.0 billion worth of U.S. high-value food products last year. These markets accounted for just over a third of U.S. high-value exports in 1986. High-value exports to this region increased 30 percent from 1985 while U.S. bulk exports declined 23 percent.

Japan was the leading market in the Pacific Rim, with sales of $2.3 billion, a

Sheila Phalon

32-percent gain from the year earlier. However, Indonesia logged the greatest increase of any Pacific Rim market, nearly doubling its purchases. China and Malaysia were the only Pacific Rim markets where U.S. sales declined in 1986.

Hides and Skins Head Product List

For individual products, the top three high-value exports — hides and skins, oilcake and meal, and feeds and fodders — totaled $3.6 billion, accounting for almost a third of all U.S. high-value exports that year. As a group, these exports expanded 29 percent over the 1985 level.

Following is a wrap-up of U.S. exports of high-value products by commodity:

Horticultural Products

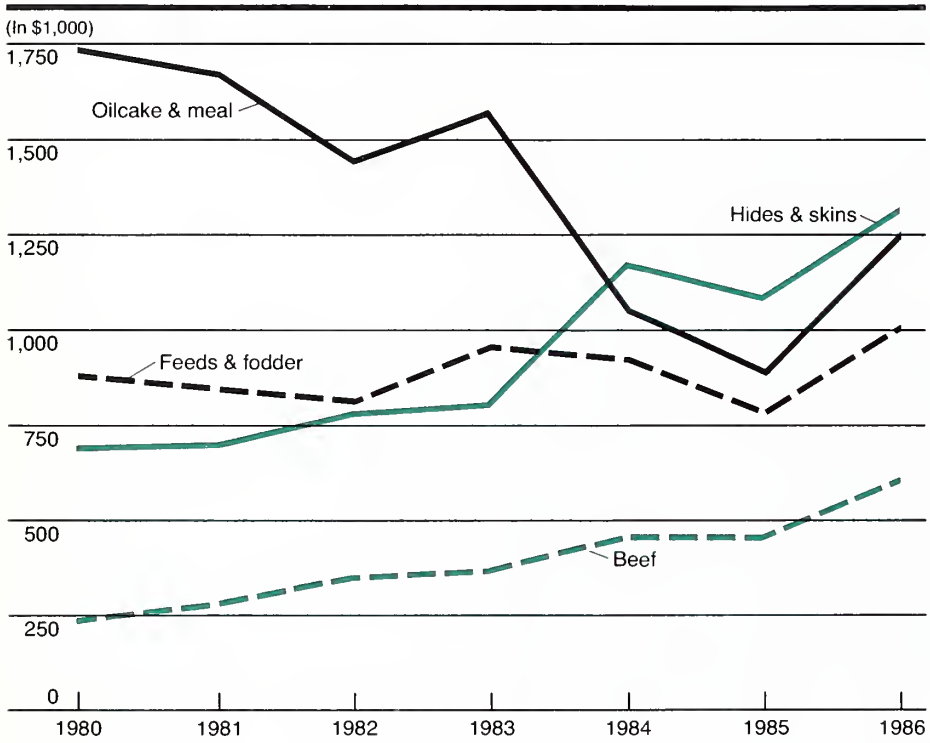
U.S. exports of high-value horticultural products totaled $2.9 billion in 1986, up 11 percent from 1985. These exports peaked in 1981 with sales of nearly $3.1 billion. Sales rebounded last year and another gain is seen for 1987.

Larger sales to Europe, Japan and other Pacific Rim countries are the major factors in this turnaround. The most notable increases in U.S. horticultural exports for 1986 occurred for fresh citrus fruits, other fresh fruits and tree nuts.

High-value exports of fresh fruits, other than citrus, rose 23 percent in 1986 with combined sales of $357.9 million. Fresh grapes and apples accounted for over half of these sales. Fresh grape exports climbed 34 percent in 1986 to $102.6 million. The leading export markets were Canada ($45.2 million), Hong Kong ($14.5 million), Taiwan ($14.2 million) and Singapore ($5.5 million).

U.S. fresh apple exports added up to $102 million last year, a gain of 10 percent from

Hides and Skins Now the Leading High-Value Farm Export



Source: U.N. data.

1985. The major markets were Taiwan ($19 million), Canada ($16.5 million), Hong Kong ($13.2 million) and Saudi Arabia ($10.3 million).

The most significant gains were recorded in sales to Taiwan, Thailand, Panama, the Dominican Republic and the EC. Taiwan and Thailand have recorded the most consistent yearly gains over the last five years.

Fresh citrus fruit exports in 1986 totaled $472 million, for gains of 9 percent from 1985 and 23 percent from 1982. Fresh grapefruit exports were the biggest component of this increase at $136.1 million, 47 percent above 1985 and 38 percent higher than the 1982 level. The leading grapefruit markets were Japan, the EC, Canada and Taiwan.

Tree nut exports also accounted for a significant portion of increased U.S. horticultural exports in 1986, jumping 11 percent to $570 million, with almonds and walnuts comprising more than three-fourths of these exports.

Almond export sales hit $423 million last year, 7 percent greater than 1985 and nearly 81 percent above the level five years ago. The top markets — the EC, Japan, the Soviet Union, Canada and Switzerland — bought over four-fifths of exported U.S. almonds in 1986. Walnut exports rose 20 percent in 1986 to $95 million. The leading markets were the EC, Mexico, Canada, Japan and Australia.

Oilseed Products

Oilseed products accounted for nearly one-fifth percent of U.S. high-value trade in 1986 with sales of $2.1 billion, a gain of 5 percent for the previous year and 27 percent from the 1982 level. These exports are improving this year, primarily because of increased soybean meal exports.

With sales of $1.2 billion, soybean meal exports accounted for two-thirds of the U.S. high-value oilseed trade in 1986. These exports increased 42 percent from 1985, but they have lost some ground since 1982, dropping 12 percent overall.

Last year's leading markets for soybean meal were the EC, Canada, Venezuela, Egypt and Indonesia, which had a 73-percent share of this U.S. trade. The Canadian and Egyptian markets showed the most consistent gains over the last five years. Egypt's purchases ($49.2 million) soared 150 percent in 1986 and were 16 times higher than the low level of 1982.

Sunflowerseed oil exports achieved significant gains as well, rising 18 percent in 1986 and more than doubling the 1982

U.S. High-Value Agricultural Exports on the Rise*

($ billion)

Year	High-Value	Bulk	Total
1976	6.6	16.9	23.6
1977	7.6	16.8	24.3
1978	9.0	20.9	29.9
1979	10.6	24.8	35.4
1980	12.1	30.2	42.4
1981	12.8	31.7	44.5
1982	11.3	26.5	37.8
1983	11.2	25.9	37.1
1984	11.4	27.4	38.8
1985	10.5	19.5	30.1
1986	11.6	15.7	27.3

** Includes cigarettes.*

level. They reached $103.5 million, ranking as the third leading high-value oilseed export behind soybean oilcake and meal and soybean oil.

Top export markets were Mexico, Venezuela, Iraq, Guatemala and Japan. Over the years, Mexico, Venezuela and Japan have been the most consistent buyers, but Iraq has emerged rapidly, going from near zero levels before 1985 to $10.6 million in 1986.

Grains and Feeds

High-value exports of U.S. grains and feeds in 1986 totaled $2.1 billion, up 23 percent from 1985 and 16 percent above 1982's level. More gains are seen for this year. A major part of these exports is comprised of corn gluten feed and meal and wheat flour. Together these products accounted for 38 percent of U.S. high-value grain and feed exports in 1986.

Corn gluten feed and meal exports jumped nearly 30 percent in 1986. The major export markets were the EC ($559.3 million), which by itself accounted for over a 90-percent share of these U.S. exports last year. The Community has been the primary market for these exports over the last five years, showing an overall 28-percent gain from 1982.

Commercial export sales of U.S. wheat flour (not relief) totaled $205.8 million in 1986, an increase of 52 percent from 1985. The major markets were Egypt ($116.6 million), Taiwan ($42.2 million), Iraq ($17.4 million), the Philippines ($11.7 million) and Yemen, Sanaa ($11.3 million).

Livestock and Poultry Products

Exports in this category totaled $4.6 billion in 1986, up 9 percent from 1985. Another gain is expected for 1987 as a result of increased beef and veal exports to Japan and Brazil along with larger poultry meat exports to Egypt, Iraq and Japan. Products which accounted for most of this increase were cattle hides and skins, beef and cut-up chicken parts.

Exports of whole cattle hides totaled $1.3 billion in 1986, a gain of 21 percent from 1985. The leading markets were Korea ($450 million), Japan ($304.7 million), Taiwan ($156.5 million), the EC ($111.4 million) and Mexico ($42 million).

Beef exports reached $605.7 million last year, up 26 percent from 1985. The primary markets for U.S. beef were Japan ($480 million) and Brazil ($40.5 million), followed by Canada ($24.8 million), the EC ($10.3 million), Saudi Arabia ($8.5 million), and Hong Kong ($7.4 million). This tremendous increase in the Brazilian market primarily stems from sales made to minimize the effects of the Dairy Termination Program in the United States.

Exports of chicken parts totaled $226.8 million in 1986, up 29 percent from 1985. U.S. poultry exports were expected to improve further in 1987 because of Export Enhancement Program initiatives in Egypt and Iraq.

EC Is Leading U.S. High-Value Export Market

Country	1985 ($ bil.)	1986 ($ bil.)	Change (Percent)
EC-12	2.7	3.0	+11
Japan	1.7	2.3	+32
Canada	1.4	1.4	0
Mexico	0.8	0.7	−10
Korea	0.4	0.6	+48
Hong Kong	0.3	0.4	+9
Saudi Arabia	0.4	0.4	−12
Taiwan	0.2	0.3	+32
Egypt	0.4	0.3	−23
Venezuela	0.3	0.2	−30

Hides and Skins Top Export Charts

Commodity	1985 ($ bil.)	1986 ($ bil.)	Change (Percent)
Hides and skins	1.1	1.3	+21
Oilcake and meal	0.9	1.3	+40
Feeds and fodder	0.8	1.0	+28
Beef, fresh, frozen	0.5	0.6	+33
Miscellaneous food preps	0.5	0.5	+16
Nuts edible	0.4	0.4	+ 1
Live animals	0.6	0.4	−35
Edible offal, fresh, chilled, frozen	0.3	0.3	+10
Poultry, fresh, chilled, frozen	0.2	0.3	+30
Soybean oil	0.4	0.3	−41

The leading markets for U.S. chicken parts were Japan ($76.2 million), Hong Kong ($36.4 million), Singapore ($25.4 million), Jamaica ($12.7 million) and the Leeward and Windward Islands ($11.7 million). Pacific Rim markets — especially Japan, Hong Kong and Singapore — consistently have been the leading buyers of these products since 1982.

Promoting U.S. High-Value Products

The Foreign Agricultural Service (FAS) has many services and programs to provide assistance to individuals or firms involved in exporting U.S. high-value products. FAS' High-Value Products Division acts as a one-stop center for information geared to stimulate overseas sales of U.S. high-value products.

The Agricultural Information and Marketing Service (AIMS), a branch within the Division, compiles and distributes much of this information. Services available through AIMS include foreign trade leads, the buyer alert program and international marketing profiles. Information on AIMS services can be obtained by calling (202) 447-3031. ■

The author is with the Tobacco, Cotton and Seeds Division, FAS. Tel. (202) 382-9497.

U.S. Export Prospects Looking Up In the Lands Down Under

By Abraham Avidor

Despite reputations as low-cost producers and fierce competitors in the agricultural export market, Australia and New Zealand are increasing their purchase of U.S. farm products. Prospects are bright for future U.S. exports, especially value-added products.

In New Zealand, government reforms have reduced subsidies, deregulated marketing boards and progressively lowered tariffs and non-tariff barriers, thereby providing growing opportunities for U.S. exports.

In Australia, a growing demand for imported foods has created opportunities for a variety of U.S. products. In 1988, U.S. agricultural exports could well benefit from increased tourism associated with the bicentennial celebration and the World Expo exhibition in Brisbane, Queensland.

New Zealand Increasing Imports

New Zealand's agricultural imports have increased steadily in recent years, auguring well for future growth. The prospects for an across-the-board expansion in U.S. agricultural exports are limited, though, by New Zealand's small population (under 4 million), high transportation costs and virtual self-sufficiency in many products.

However, at competitive prices (supported by lower trade barriers and a weaker U.S. dollar), U.S. foods could enter or increase their share in the New Zealand market. U.S. products also are benefiting from a consumer trend towards eating out and increased imports by retailers, processors and traders seeking improved variety and cost savings.

U.S. export products with growth potential in New Zealand include off-season fruits, cereal preparations, processed vegetables, processed fruits, fruit juices, wine, beer, beverage bases, confectionery, nuts, animal genetics, oilseed products, live horses, wheat, lumber and plywood.

U.S. products comprise about 10 percent of New Zealand's total agricultural imports. In calendar 1986, U.S. exports were valued at $42 million, up $13 million from the year-earlier level. Most of the increase occurred in shipments of live horses and beverage bases. Exports of leaf tobacco and horticultural products also grew modestly.

Government Reforms Improve Opportunities

Since 1984, the New Zealand government unilaterally has instituted market-oriented reforms to improve economic performance. The reforms have included exchange rate floating, deregulation of marketing board activities, privatization of state-owned enterprises and substantial reductions in subsidies and financial supports.

The government has also made significant progress toward dismantling its complicated import licensing system and lowering its historically high tariffs.

In 1985, the government eliminated tariffs on more than 500 product categories not competing with domestic production. Tariffs 50 percent and above were reduced 5 percentage points in 1986 and an additional 10 percent in 1987. Tariffs between 25 and 50 percent were reduced by 5 percent in 1986 and by an additional 10 percent in 1987.

Despite these reforms, duties 25 percent and above still apply to some imported items competing with domestic products. Further tariff reductions are expected following an ongoing policy review.

In addition to phasing in duty-free treatment to all imports from Australia (under a free-trade area between the two countries), New Zealand extends preferential tariff rates to certain imports from Canada, Pacific islands and developing countries.

These preferential rates limit such U.S. export products as beer, cereal preparations, biscuits, selected processed vegetables and fruits, grain by-products, some forest products, fruit juices, pastes, sauces and soups.

With the exception of a few products subject to global quantitative licensing through June 1989, all import licensing will be phased out in July 1988, moving to license-on-demand.

At present, residual licensing requirements limit imports of such products as selected processed foods (for example, macaroni, spaghetti and pet food), syrups, vegetable oils, flours, tobacco products and some horticultural products.

Some Trade Barriers Remain

Although government reforms have improved the prospects for U.S. exports, several trade barriers remain. For apples, import licenses are awarded to only one importer — the Apple and Pear Marketing Board — thus limiting competition to off-season.

Government Reforms in New Zealand Improve U.S. Exports

($ million)

Item	1985	1986	1987 (Jan.-June)
Grain and feed	1.05	1.20	.58
Oilseeds and products			
Soybeans and products	1.17	1.04	1.03
Peanuts	3.15	1.58	.65
Other	.93	.78	.36
Total	**5.25**	**3.40**	**2.04**
Cotton and seeds	1.67	1.13	.33
Dairy and poultry	.62	.09	.49
Horticultural products			
Fresh fruits	4.81	6.14	2.42
Dried fruits	3.04	3.26	1.44
Shelled tree nuts	.96	1.01	.49
Other	2.74	1.74	1.44
Total	**11.55**	**12.15**	**5.79**
Tobacco	4.31	5.42	3.08
Livestock and products			
Live animals	.02	10.94	3.79
Other	1.66	1.76	1.26
Total	**1.68**	**12.70**	**5.05**
Sugar and tropical products			
Beverage bases	.29	2.76	3.55
Other	.87	1.40	1.00
Total	**1.16**	**4.16**	**41.56**
Forest products			
Softwood lumber	.76	.57	.25
Other	.92	.74	.52
Total	**1.68**	**1.31**	**.77**
Total U.S. exports*	**28.97**	**41.56**	**22.68**

*Totals may not add due to rounding.

Australian Consumers Developing a Taste for U.S. Products

($ million)

Item	1985	1986	1987 (Jan.-June)
Grain and feed	6.00	6.28	3.32
Oilseeds and products			
Soybeans and products	9.13	13.57	6.47
Other	3.70	3.93	1.35
Total	**12.83**	**17.50**	**7.82**
Cotton and seeds	8.72	5.84	2.60
Dairy and poultry	1.90	1.65	.75
Horticultural products			
Fresh fruits	6.53	5.54	4.04
Dried fruits	3.19	2.33	.54
Frozen vegetables	4.81	3.89	2.08
Dehydrated vegetables	4.44	5.23	1.94
Shelled tree nuts	12.69	13.24	4.55
Other	8.33	8.33	3.64
Total	**39.99**	**38.56**	**16.79**
Tobacco	21.61	30.70	9.40
Livestock products	9.76	6.38	2.87
Sugar and tropical products			
Cocoa and cocoa products	3.61	1.23	1.29
Beverage bases	2.13	10.53	3.55
Liquid flavoring extracts	.69	15.52	9.53
Other	5.36	6.22	3.26
Total	**11.79**	**33.50**	**17.63**
Forest products			
Softwood lumber	55.36	40.20	32.59
Other	8.61	7.19	4.15
Total	**63.97**	**47.39**	**36.74**
Total U.S. exports*	**176.58**	**187.83**	**97.94**

*Totals may not add due to rounding.

For oranges, import licenses are awarded to Fruit Distributors Ltd., a private sector monopoly which controls orange imports from all countries except Australia and the Pacific region, thereby limiting competition and import growth.

Knowledge of Health Regulations Essential

New Zealand enforces stringent animal and plant health requirements to prevent the importation of pests and infectious diseases from which the country is free. These requirements, which often vary by country of origin, limit a wide range of imports.

Affected products include live swine, live poultry, eggs, poultry meat, honey, nursery products, fresh and frozen vegetables, dried legumes, fresh and dried fruit, grains and oilseeds. For some products entering the country, quarantine procedures significantly raise costs to consumers.

Australia Buys a Variety of U.S. Products

Despite surplus production in many commodities, Australia's agricultural imports have grown rapidly in recent years. This established growth trend has been supported by rising disposable incomes, more diverse diets and increased tourism.

The United States accounts for well over 10 percent of Australia's total agricultural imports. Lumber, horticultural products, tobacco and processed foods top the list of U.S. agricultural exports to Australia.

Calendar 1986 U.S. exports were valued at $188 million, up $11 million from the year-earlier level. Increases in shipments of liquid flavoring extracts, beverage bases, leaf tobacco and soybean products were partly offset by a decline in exports of softwood lumber.

U.S. export products with growth potential in Australia include softwood lumber, wine, beer, nuts, citrus, pork, frozen chicken, tobacco, ice cream, garlic, frozen vegetables, off-season fruits, health foods, beverage bases and liquid flavoring extracts.

Australian Tariff Scheme

Most Australian tariffs on agricultural products fall below 10 percent. The tariffs on processed foods are generally higher than those on basic commodities.

A 2-percent revenue-raising surcharge applies to most items not bound by the General Agreement on Tariffs and Trade. Except for the surcharge, tariffs can be waived if no existing or potential competition is proven.

In addition to phasing in duty-free treatment to all imports from New Zealand, Australia extends tariff preferences to certain imports from Canada, Pacific islands and developing countries.

Tariff elimination or reduction could enhance market opportunities for such U.S. products as wine, processed vegetables, canned ham, jams, citrus juices, almonds, preserved fruit, tobacco and plywood.

Non-Tariff Barriers Have Little Effect

Usually, Australian non-tariff barriers on basic commodities do not significantly limit U.S. exports. This is due to a combined production plus transportation cost advantage that many Australian commodities have over imports. An example of such a barrier is the import approval requirement for oats, barley and rye.

Although Australia tends to be an open market, several restrictions limit U.S. export opportunities.

Australia's tobacco growers, for example, are protected from imports by tariffs and a local content requirement. To qualify for a relatively low duty on imported tobacco leaf (A$0.47 per kilogram), cigarette manufacturers have agreed to use at least 57 percent domestic leaf; otherwise the duty is about three times higher (A$1.42 per kilogram).

A discriminatory sales tax protects Australia's fruit juice industry from import competition. Fruit juices with less than 25 percent local content are subject to a 20-percent sales tax; the sales tax for juices with 25 percent or more local content is 10 percent.

Health Requirements Affect Imports

As in New Zealand, Australia enforces stringent health requirements to prevent the importation of pests and infectious diseases from which the country is free. These requirements limit imports of such products as grains, red meat, poultry meat, eggs, cheese, live animals, citrus, avocados, apples, grapes and potatoes. ■

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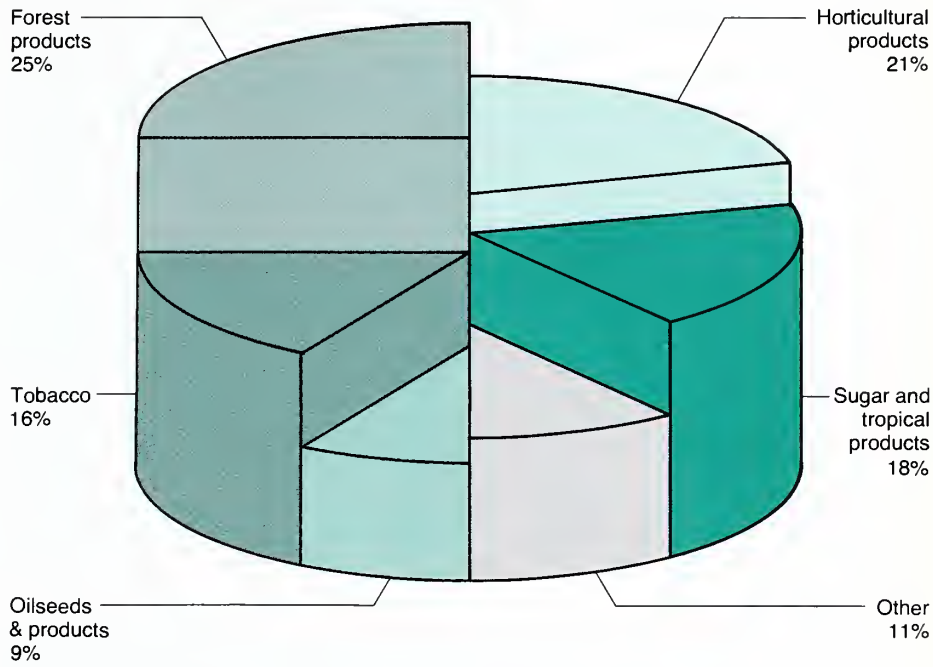
U.S. Forest and Horticultural Products Take Root in Australia

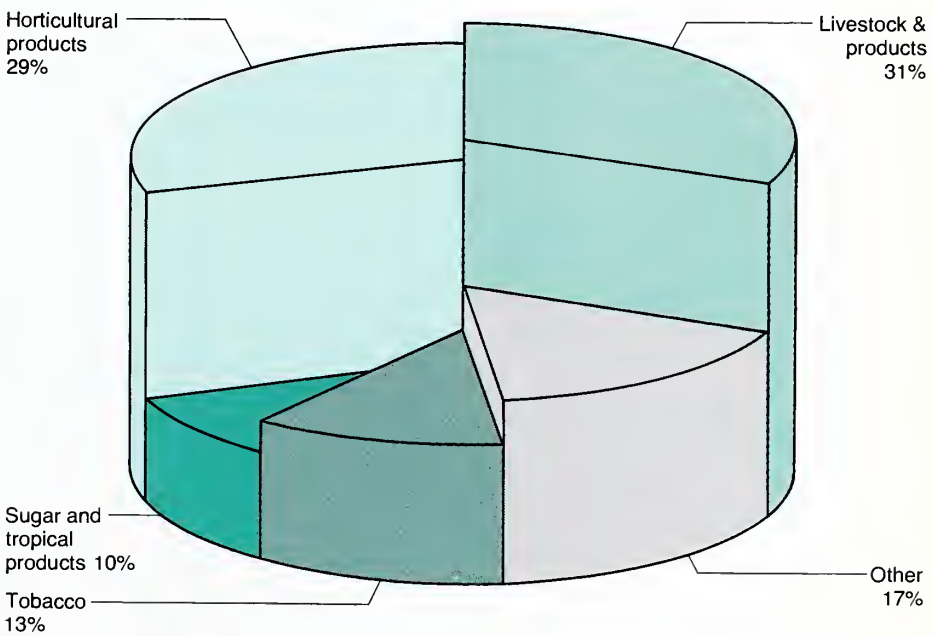
(In percent)



Total 1986 Exports = $188 million

U.S. Livestock and Horticultural Exports Gain in New Zealand Market

(In percent)



Total 1986 Exports = $42 million

Sweden's Food Needs: A Smorgasbord of Opportunities

By Harold A. McNitt

High incomes, a heavy demand for imported products and a short growing season make Sweden an attractive market for U.S. food products.

Despite stiff competition from the European Community (EC) and high import barriers on a number of commodities, U.S. exporters sold Sweden $108 million of dried fruit, edible nuts, vegetables, rice, fresh fruit and other high-value commodities in 1986. On a per capita basis, that is nearly twice as much as the EC spends on U.S. foods.

Swedish Market Becoming Even Better

Recent changes in the marketplace, along with shifts in consumer demand, provide U.S. exporters with an opportunity to expand sales, especially of high-quality processed foods.

The market is an ideal target for a number of reasons:

— Purchasing offices are concentrated in just a few points, simplifying the seller's task.

— Consumer spending is at a comparatively high level, creating interest in new food products.

— An increase in the number of working women, shorter work weeks, longer vacations and a predominance of small households should increase demand for frozen and other processed convenience foods. Sweden already buys these types of commodities at a rate second only to the United States.

— High per capita automobile ownership is stimulating growth of suburban shopping areas and large markets at the expense of smaller, privately owned operations. The shift makes it easier for exporters to break into the market.

Swedish Food Distributors Are Few

Food retailing and wholesaling in Sweden are highly concentrated. Three major wholesale-retail enterprises sell two-thirds of all retail food. Importing, wholesaling and retailing are closely linked within these enterprises, and that makes it comparatively easy for U.S. food exporters to reach the Swedish food market by contacting only a few major purchasing departments.

ICA Retail Cooperative is Sweden's largest grocery organization. Owned and operated by its retail members, ICA in 1986 handled a third of Sweden's food retailing through nearly 3,600 stores. (Contact: ICA, Box 6187, S-10233, Stockholm; Tel. 46-8-7284000; Telex 19435 ICAS.)

The Coop Group KE/Konsum (KF) is another giant food retailer. KF, the pioneer of self-service stores and supermarkets in Sweden, is a thoroughly integrated producer, importer, wholesaler and retailer of food and non-food items. Comprised of 140 local cooperative societies, KF marketed 21 percent of Sweden's retail food sales in 1986 through some 1,900 outlets. (Contact: KF, Box 15200, S-10465 Stockholm 15; Tel. 46-8-7431000; Telex 19490.)

The third largest food distribution channel in Sweden is a conglomerate of retail, wholesale and financial companies administered by the D-Group and the Carnegie Group, previously known as the Saba Group. Considered together, the operations account for about one-sixth of the market. The enterprise's main import/wholesale operation is DAGAB. (Contact: DAGAB, Anderstorpsvagen 22, S-17178 Solna; Tel. 46-8-272980.)

Import Agents Provide Assistance

After contacting one of these enterprises and determining the salability of a particular commodity, new-to-market exporters often engage the services of a Swedish import agent.

Import agents handle customs technicalities and see that the product is delivered to the buyer. They also are responsible for sales promotion, advertising and in-store merchandising.

Agents generally prefer to be the supplier's sole representative in Sweden. Exclusive representation provides more incentive to build a strong market for the product. Care should be taken, however, to avoid appointing an agent who handles competing products.

There are also brokers who specialize in foods. As an alternative to using brokers or agents, a U.S. firm may set up its own sales organization. However, this option can prove costly. Another possibility is to arrange a joint venture with an established Swedish company. The U.S. product can then be marketed as a supplement to the local firm's existing line.

Swedish Buyers Prefer Brand Names

The large nationwide food enterprises usually prefer to import processed foods with established brand names, consistent high quality and reliable supply. With the keen competition, start-up costs can be high and may include outlays for sales promotion, advertising and merchandising.

Smaller U.S. food processors can sometimes avoid these costs by supplying products to Swedish distributors who then market the goods under their own private label.

However, use of private labels is less extensive than in the United States. Both the ICA group and KF offer a wide range of processed foods under special labels. Most of the foods are processed in their own plants, but non-branded imports also may be used if they meet high-quality standards.

What's Been Selling?

U.S. nuts and nut preparations have attained a reputation for quality in Sweden and now fill over half of the demand for all edible nuts shipped to the region. That amounted to over $17 million in 1986, with almonds leading the field.

Since domestic nut production is not feasible on a commercial basis, Sweden grants duty-free status to all edible nuts, making the market an exceptionally good one for sales expansion.

Doing Business in Sweden

Language—Although the native tongue is Swedish, most businesspeople, especially those involved in international trade, speak English.

Major business center—Most of the head offices for many of Sweden's largest corporations and purchasing organizations are located in or near Stockholm. Several cities of more than 100,000 lie within 125 miles of Stockholm. Other major population centers are in the southwest.

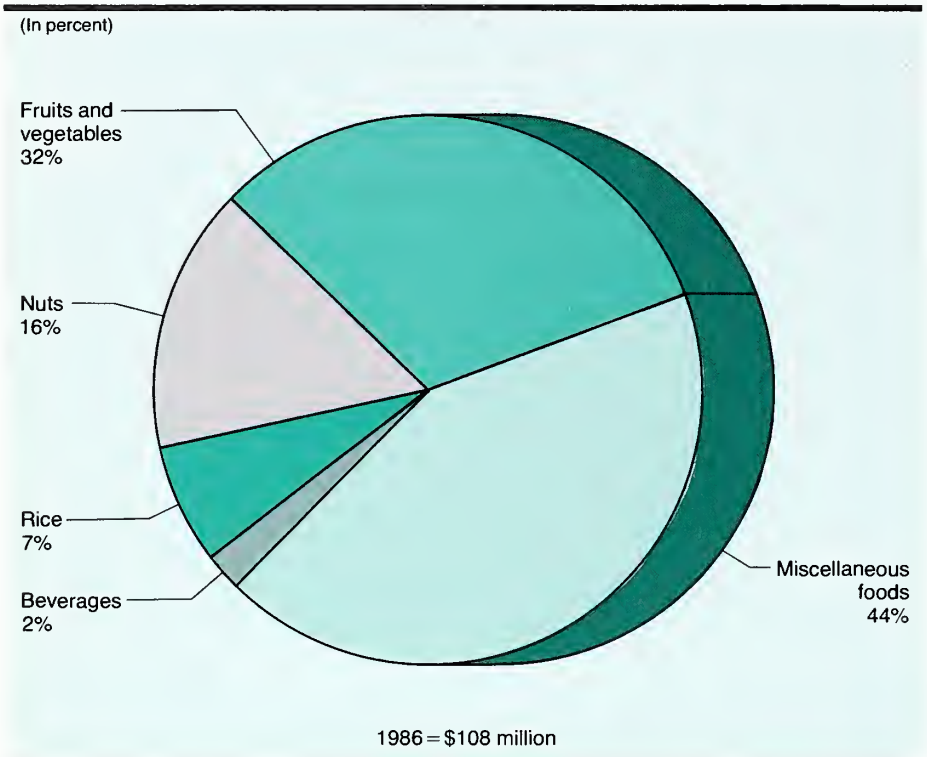
Transportation—Ocean shipping to Sweden via U.S. flag carriers from eastern United States is normally about 10 days if shipment is direct. Domestic rail, truck and air services are well developed. Once cargo has arrived in Sweden, it can be forwarded to any point in the country within 24 hours.

Commercial practices—Sales quotations are usually given either c.i.f. port of destination or f.a.s. or f.o.b. port of shipment. Importers prefer the former, but some large firms want the latter because they like to arrange for shipping and insurance.

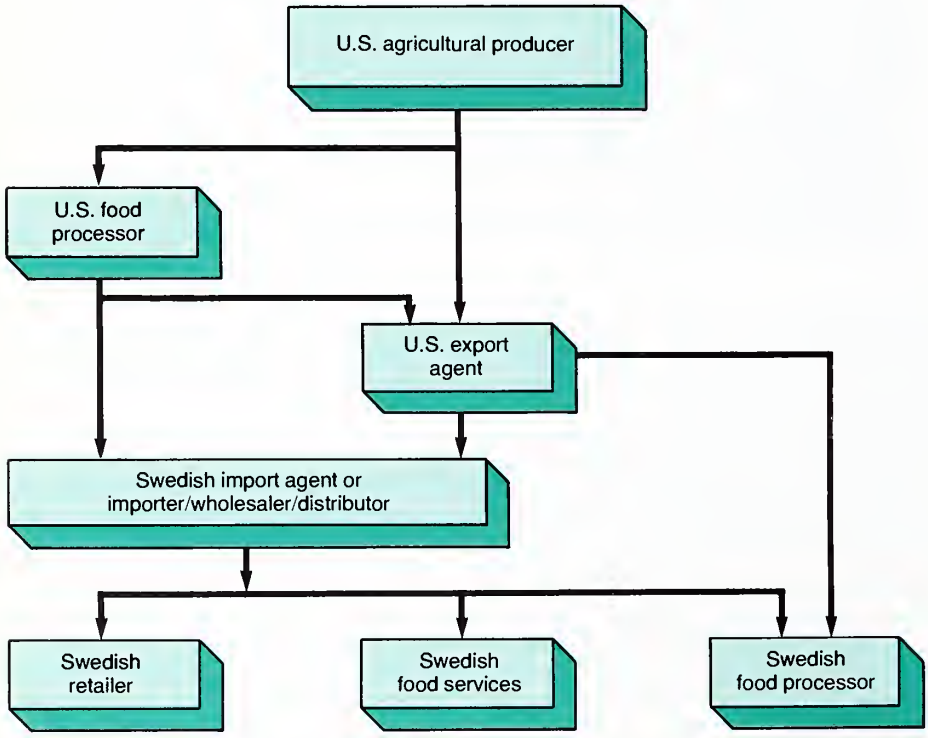
There is no uniformity in the method of payment, although there has been a trend toward more liberal financing as opposed to letters of credit or cash. General terms of sale are payment within 30-90 days after delivery.

Taxes—U.S. goods exported to Sweden are subject to the value-added tax which is levied at a rate of 23.46 percent, payable to the Swedish Customs Authority at time of entry. Excise taxes are levied on several items, including sugar, malt, carbonated beverages, liquors and wines.

Fruits and Vegetables Make Up Bulk of U.S. Exports to Sweden



How U.S. Exporters Get Their Food Products to Sweden



Nuts relatively new to the market, such as pecans, have considerable potential. In addition, prepared and packaged nuts, either for snacks or home cooking, provide opportunities for sales expansion. Nuts also are used as ingredients by the confectionery and candy industry.

Raisins, prunes and other dried fruits from the United States are a staple on the Swedish market. The United States has had a major share of the raisin market for a number of years. Nearly all Swedish prune imports come from the United States. Sweden grants duty-free tariff treatment to prunes as well as dates and other dried fruits.

Vegetables, Rice and Spices Look Good

High tariffs and heavy price competition tend to limit U.S. vegetable imports to processed goods and unique or high-quality items. Further growth may exist for typically American vegetables such as corn-on-the-cob, sweet onions and unusual varieties of squash.

The popularity of frozen sweet corn and frozen french-fried potatoes suggests that the market for other frozen foods should be worth investigating. Probable trends in quick-frozen foods include big increases in ready-to-eat products such as pizzas and gourmet foods, citrus juices and potato products.

Sweden imports all of its rice. Since U.S. long-grain parboiled rice is the grain of choice, the United States holds a major share of the market.

Swedish consumers' fondness for new and unusual products also offers market opportunities for U.S. grain-based goods such as crackers, cookies, cereals, snack and pet food.

U.S. spices have a reputation for high quality and have proved consistently good sellers. U.S. catsup, chili sauce and vinegar also have been successful. Such condiments are duty-free or charged low tariffs when entering Sweden. ■

The author recently retired from USDA's Economic Research Service.

Country Briefs

Brazil

Local Wine Output Limits Foreign Vintners

Brazil's wine industry has increased significantly since the mid-1970s when massive investments were made in wine production and modern foreign technology was sought and imported mostly from France and Italy. Brazilian technicians and agronomists were sent abroad to attend technical training programs. In addition, foreign wine technicians were invited to work in Brazil to foster wine industry development. New grape breeding clones — including such white varieties as Chardonnay, Pinot Blanc and Sauvignon Blanc and red varieties such as Cabernet Sauvignon and Pinot Noir — were also imported. The Brazilians also undertook genetic research and breeding of grape varieties and created a winery technical school.

Rio Grande do Sul, the southernmost state in Brazil and one which attracted and sheltered several waves of Italian immigrants, accounts for nearly 90 percent of the country's wine production, currently estimated at about 300 million liters. The remainder is produced in the states of Sao Paulo, Santa Catarina and Minas Gerais.

Wine imports into Brazil during 1985 and 1986 were 4 and 2.5 million liters, respectively, and represented no more than 1.5 percent of total consumption. Imported wine is charged a duty of between 75 and 105 percent ad valorem. The chief suppliers of imported wines are West Germany (41 percent), Chile (23 percent), Portugal (13 percent), France (11 percent) and Italy (7 percent). *—Louis A. Vandergriff, Agricultural Officer, Rio de Janeiro.*

China

Market for Wood Looks Good Over the Long Term

Limited domestic supplies and a lack of foreign exchange prevented China from meeting the growing demand for most types of wood products in 1986, driving up free market prices for wood by about 100 percent. Collective forest enterprises reportedly reduced their stocks by 50 percent in taking advantage of the high prices.

Efforts to increase output of wood products over the past few years have resulted in an estimated annual loss of 1.89 million hectares of forest area. Consequently, the government is stressing the production of fiberboard and particle board over plywood in order to make more complete use of available wood fiber.

Significant opportunities exist for an improved U.S. position in certain sectors of the Chinese forest products market. First, although imports of bartered Russian roundwood have been rising over the past few years, quality is reportedly a problem. Second, the Chinese government's emphasis on maximum use of wood fiber in the production process could create opportunities for more U.S. exports of sawnwood, plywood and veneer.

However, the overriding factor in Chinese import decisions is not consumer demand, but the amount of foreign exchange allocated to wood imports. Thus, price is almost always the primary factor in import decisions. Since the only way for China to earn foreign exchange is to export, China's current negative trade balance is perhaps the largest single constraint on larger imports of wood products.

Nevertheless, U.S. exporters should continue their intensive market development activities in China. The size of its population, its limited domestic resources and consumers' preferences for wood make China a good prospect for a large, stable market. *—Robin Tilsworth, Agricultural Attache, Beijing.*

Peru

U.S. Share of Food Imports Likely To Grow

The United States had almost a 30-percent share in Peru's food imports during the past two years. Although this was below the U.S. share in earlier years, further growth is expected in 1987 due to a number of factors, including the increasingly competitive U.S. position under the provisions of the Food Security Act of 1985.

Competition in the Peruvian market is strong, especially from Argentina for grains and soybean oil, the Far East for rice and New Zealand and the European Community for dairy products.

Peru maintains strict control over food imports through its state importing agencies — ECASA for rice and ENCI for most other bulk food items. However, food imports are given precedence over other imports due to the government's policy of improving diets.

Although the government is cracking down on imports this year, basic food imports in 1987 will at least be as high as in 1986. One reason is that the government is profiting substantially from the currently low world price levels. ENCI and ECASA make large profits on re-sale of imports to end users. These profits generally are turned over to a fund which is used to subsidize local farm production. — *Kenneth L. Murray, former Agricultural Attache, Lima.*

Switzerland

Imports of Poultry Meat Reach New Record High

Significant growth in Swiss poultry consumption pushed imports of poultry meat up more than a tenth in 1986 to a new record high of 35,762 metric tons. Frozen broilers and frozen chicken parts each represented roughly a fourth of total imports, fresh broilers about a fifth, with other poultry items making up the remainder.

Turkey meat imports were among the biggest gainers, rising by more than 28 percent to 3,745 tons — about a tenth of the import total. The surge in turkey meat imports reflected additional consumer demand for whole turkeys and further processed products.

Industry representatives expect a further increase in poultry meat imports of 3 to 8 percent during the near future. However, the rise in domestic turkey production may lead to less spectacular growth rates over the longer term.

During the last seven years, the U.S. poultry industry has lost most of its share of the Swiss import market to Hungary and France. In 1986, Swiss poultry meat imports from the United States totaled 500 tons (including 54 tons of poultry livers) or 1.5 percent of total imports.

Import prices (c.i.f.) for U.S. poultry meat are significantly below the average Swiss price per kilogram. Therefore, industry representatives foresee good chances for U.S. exporters to gain back market shares if the U.S. dollar remains at its current relatively low level. However, Swiss importers stress that U.S. exporters should offer calibrated frozen poultry parts. Also, importers want more regular and updated offers for poultry meat by U.S. exporters. Good market opportunities are expected for whole turkeys, roasters, jumbo wings and other specialty products such as natural chicken nuggets. — *Anthony N. Cruit, former Agricultural Counselor, Bern.*

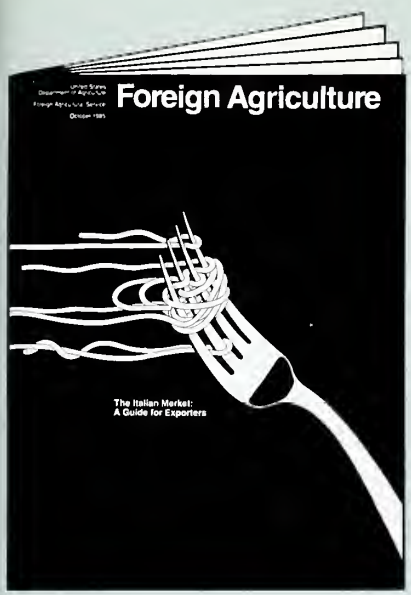
Taiwan

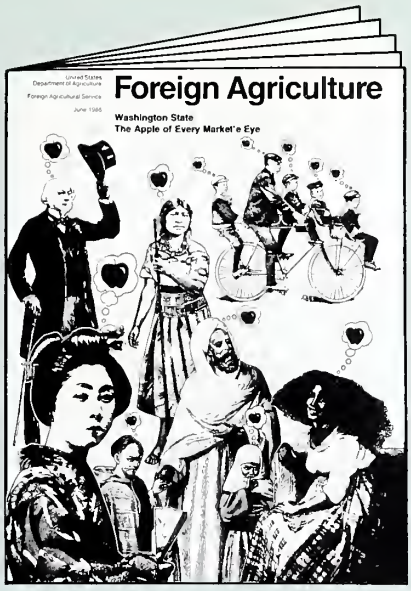
Shoe Exports Determine Market for U.S. Hides

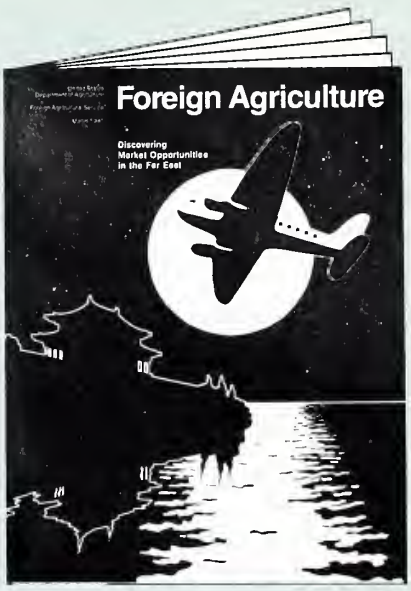
Taiwan's imports of hides and skins surged 30 percent in 1986 to over 139,000 tons. The United States supplied 25 percent more hides to Taiwan in 1986 but the U.S. share of Taiwan's total imports dropped to 71 percent (from 74 percent in 1975). Canada took those three percentage points from the United States, reportedly because of cheaper prices.

Taiwan's 1987 hide consumption probably will stay at the high level of 1986. Shoe exports were good in early 1987 and tanners will fill the orders they already have on hand. The shoe industry is the major user of hides, accounting for three-fourths of total consumption. The country's shoe exports were up more than a third last year to 843 million pairs, with about 16 percent of that total being leather shoes. Roughly four-fifths of the leather shoes were exported to the United States.

Tanners and shoe factory representatives are not particularly optimistic about the future, however. They say their future hide consumption will depend a great deal on both exchange rate fluctuations and the performance of Taiwan's competitors. For example, Korea's political problems caused many orders for Korean leather goods to be switched to Taiwan. Virtually all of Taiwan's imported bovine hides in 1986 were salted-wet. — *James B. Swain, Agricultural Officer, Taipei.*







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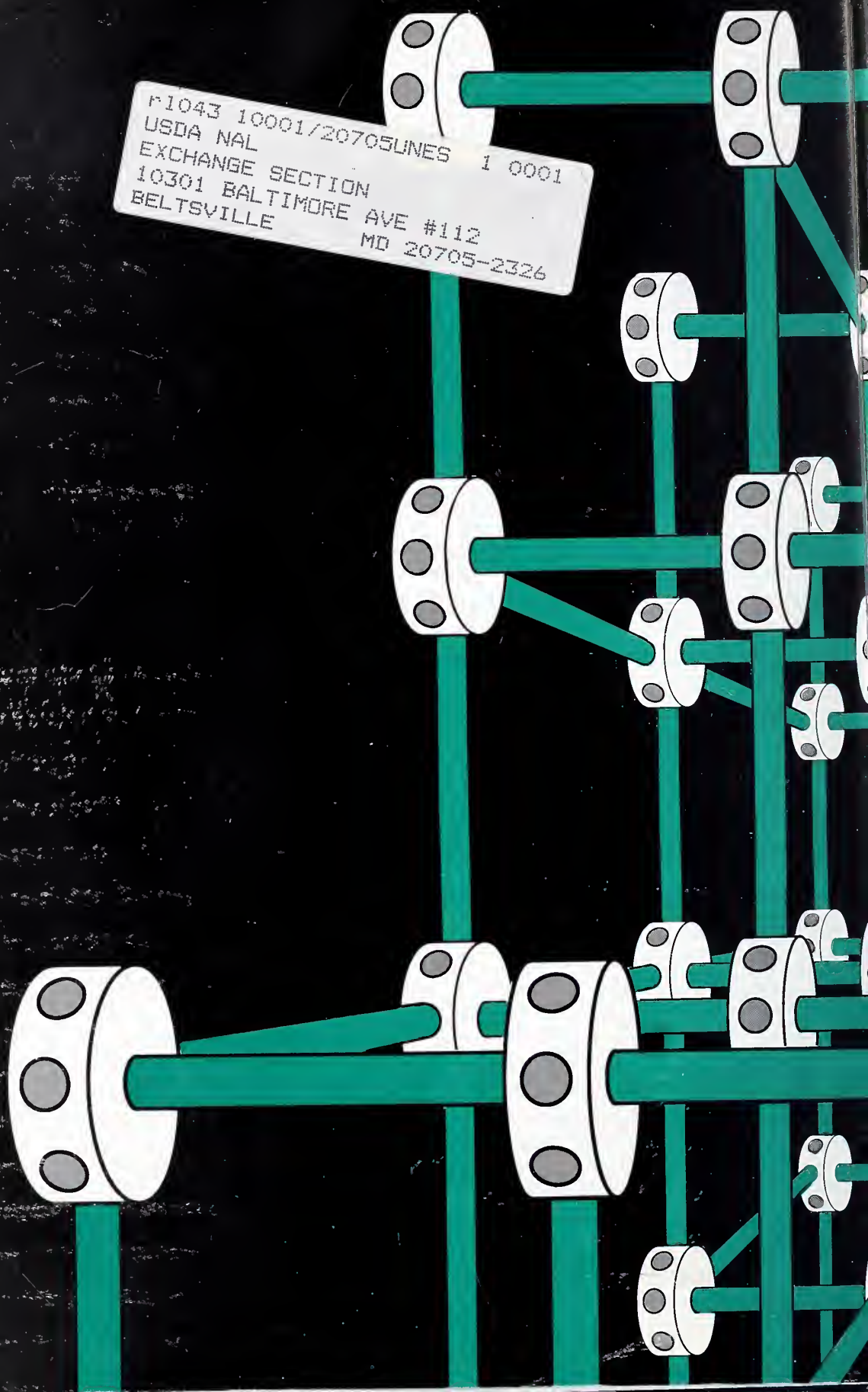

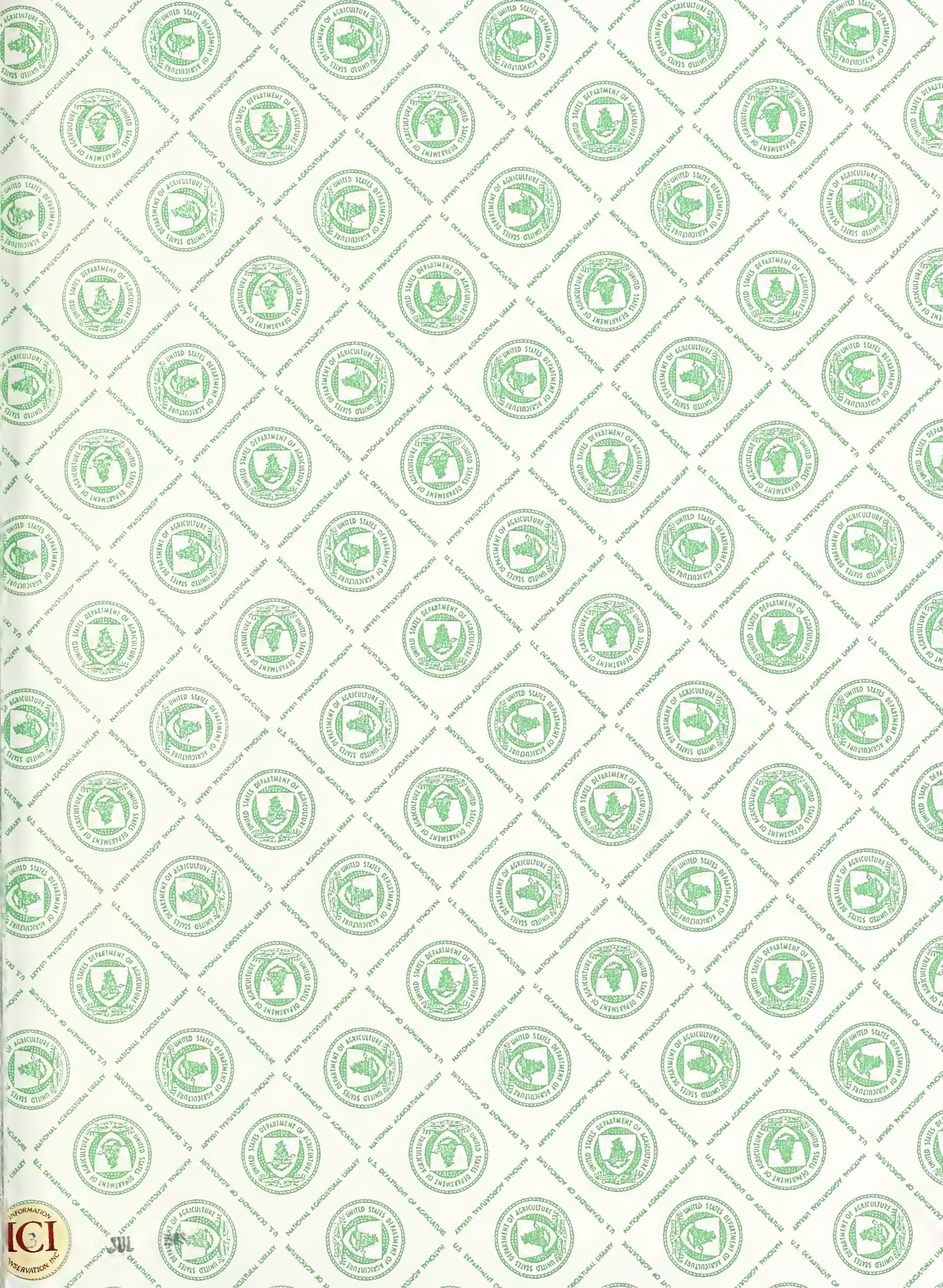
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